

Office of the
INSPECTOR GENERAL



R E P O R T O F I N V E S T I G A T I O N

File Number: 06-073

Agency: Department of Administrative Services, Surplus
Property Division

Basis for Investigation: Agency Request for Assistance

Allegations: Theft of State Property

Date Opened: September 8, 2006

Investigated By: Deputy Inspector General Phil Walker

Date of Report: January 22, 2006

Elizabeth P. Archer, Inspector General

OFFICE OF THE INSPECTOR GENERAL



EXECUTIVE SUMMARY

Department of Administrative Services
File Number: 06-073

In September 2006, Department of Administrative Services Surplus Property Division Director Steve Ekin contacted the Office of the Inspector General (OIG) after a surplus vehicle was stolen, along with the keys and title. Director Ekin requested that OIG conduct a review to identify possible administrative weaknesses in the surplus procedures. Our investigation determined that the lack of established written policies and procedures contributed to the theft of the vehicle.

This report documents relevant observations in three areas and outlines recommendations for the agency to consider implementing. The three areas evaluated were Warehouse Access Control, Facility and Key Alarm Access Control, and Proper Handling of Sales Proceeds.

OIG makes the following recommendations to the Department of Administrative Services requests that DOAS provide a written response within 30 days of the issuance of this report regarding implementation of these recommendations,

1. Establish a controlled access area for all individuals entering the surplus property area.
2. Segregate the warehouse administrative area to an area permitting access to authorized personnel only.
3. Consider adopting procedures that require the warehouse administrative area to have an attendant at all times, unless otherwise secured.
4. Consider distributing a memorandum emphasizing SPD's mandatory sign-in policy.

5. Consider placing the file cabinet in a secure office. In addition, separate the keys for the cages, vehicles and heavy equipment from the document file.
6. Consider installing lights appropriately placed for security on the building's exterior and rear parking lot.
7. Consider installing a surveillance monitoring system on the interior and exterior of the building.
8. Consider periodically changing the alarm access code.
9. Consider limiting the number of employees possessing the alarm code.
10. Establish a written policy restricting alarm access disclosure by senior employees to administrative staff.
11. Establish a key control system.
12. Consider limiting the number of facility keys issued.
13. Consider establishing written policies and procedures for methods of payment for Internet purchases of surplus property.
14. Consider establishing written policies and procedures regarding bank deposits, specifying that payments requiring deposit into the state's account never remain in the office overnight.
15. Consider reviewing the procedure that allows persons other than the recipient of the sales proceeds to make bank deposits.
16. Consider updating the surplus property's inventory system requiring a password for authorized users.



Report of Investigation

File No. 06-073

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**Summary of Actions
File Number 06-073
Department of Administrative Services**

I. BASIS FOR INVESTIGATION

In September 2006, a surplus vehicle was stolen, along with its keys and title, from the Surplus Property Division (SPD) Atlanta facility. SPD is a division of the Department of Administrative Services. SPD Director Steve Ekin requested that OIG conduct a review to identify possible administrative weaknesses in surplus procedures, which could make SPD inventory vulnerable to theft. This report documents observations in three areas and outlines recommendations for the agency's consideration. The three areas evaluated by OIG are Warehouse Access Control, Facility and Key Alarm Access Control, and Procedures for Handling Sales Proceeds.

II. NARRATIVE

A. Background

SPD is responsible for the redistribution of all state surplus property. Items no longer needed by a state agency, such as computers, vehicles, heavy equipment and office equipment, are available at surplus centers in Atlanta, Americus, and Swainsboro at discounted prices. The program also assists agencies in the disposal of surplus property through Internet auctions. The Atlanta warehouse is divided into two sections, Surplus Property and Operations. The Surplus Property section is responsible for receiving and posting surplus property on E-Bay, GovDeals, Liquidity Services. The Operations Section is responsible for overall program administration including establishing the price of goods, advertising, and handling all sales proceeds of surplus property, in addition to on-site sales.

B. Areas Evaluated

1. Warehouse Access Control

The Atlanta SPD facility is a 70,000 square feet warehouse located in Tucker, Georgia. The facility is situated on a three and one-half acre lot in a secluded industrial area. There is no outdoor lighting, and the gate leading to the parking lot where vehicles and heavy equipment are stored remains open during business hours. Because access to the parking lot is unfettered, there is no mechanism in place for SPD employees to monitor entry of individuals, vehicles or equipment. In addition, the facility has no directional signage on the building's exterior. The entrance on the right of the building leads to the Operations Section where a receptionist/support person greets customers. A separate

entrance on the left side of the building leads to the Surplus Property Section. Both entrances are open. However, customers entering through surplus property have access to the administrative area, which includes employee lockers and showers. Located at the right entrance of the warehouse is a rolling gate that routinely remains open, allowing customers access to unauthorized areas of the warehouse.

Similar to the entrances, there was no method for monitoring individuals exiting the surplus vehicle and heavy equipment lot. The building has no security personnel or any surveillance equipment such as cameras monitoring the lot. It should be noted that the 1999 Ford Crown Victoria was driven off the lot during daylight business hours. Our review also disclosed a practice of warehouse employees often leaving the administrative section unattended.

Upon entering the warehouse, the receptionist is located within a customer administrative assistance area. This area is comprised of multiple desks situated approximately 35 feet from the entrance. OIG interviews revealed that although SPD has a mandatory customer sign-in policy, the policy is inconsistently followed. Customers often by-pass the sign-in process and proceed to an Internet sales person's office or to Surplus Property. Although no written policy exists, sales personnel are to request that each customer sign-in. In addition, prior to any transactions, SPD personnel must determine customer purchase authorization. In the event the customer is not an authorized purchaser, written permission must be obtained from their agency. However, instead of SPD personnel verifying authorization, they allowed the customers to telephone their reported agency for authorization. SPD took no steps to authenticate the verbal purchase authorization.

Documents, such as vehicle and heavy equipment titles, along with ignition keys, are maintained in SPD's administrative area. These items are stored in an unsecured file cabinet located in the open administrative area. This file cabinet contained all vehicle titles and keys to the surplus vehicles, including the 1999 Ford Crown Victoria that was stolen and resulted in this review. OIG also observed that a box containing keys to wire cages housing expensive equipment was located close to the file cabinet.

Recommendations

1. Establish a controlled access area for all individuals entering the surplus property area.
2. Segregate the warehouse administrative area to an area permitting access to authorized personnel only.
3. Consider adopting procedures that require the warehouse administrative area to have an attendant at all times, unless otherwise secured.
4. Consider distributing a memorandum emphasizing SPD's mandatory sign-in policy.

5. Consider placing the file cabinet in a secure office. In addition, separate the keys for the cages, vehicles and heavy equipment from the document file.
6. Consider installing lights appropriately placed for security on the building's exterior and rear parking lot.
7. Consider installing a surveillance monitoring system on the interior and exterior of the building.

2. Facility and Key Alarm Access

During our review, SPD personnel advised us that the facility did not have a "Facility Key and Alarm Access Control" roster or procedures to register employees in order to determine access authorization. Our review confirmed inconsistent practices in this area. For instance, all employees, with one exception, had keys to unlock the building and outside locks. Several employees denied having building access while others admitted having building keys, but denied knowing the alarm code or actions required if the alarm activates. Other employees admitted to using their supervisor's code, provided by their supervisor, even though they did not possess a key to the building. Additionally, OIG's review of the building Alarm Events Sheets revealed that from August 1 through September 8, 2006, openings and closings of the building often occurred after normal work hours. Several entries were after midnight. At the time of our review, no explanation was available for the times listed.

Recommendations

1. Consider periodically changing the alarm access code.
2. Consider limiting the number of employees possessing the alarm code.
3. Establish a written policy restricting alarm access disclosure by senior employees to administrative staff.
4. Establish a key control system.
5. Consider limiting the number of facility keys issued.

3. Proper Handling of Sales Proceeds

During the review, OIG determined that Internet sales employees working in the Surplus Property Section receive payment for surplus property via credit cards, money orders, purchase orders, checks and cash. Internet sales employees working in the Operations Section receive payment for Internet sales via check, credit card, and purchase order. This section seldom receives cash, because customers are often located outside the state. Our review revealed that the employees responsible for Internet sales are also responsible for completing bank deposit slips and depositing the proceeds of each sale in the state's account. Employees responsible for the sales allowed other employees to make bank deposits. In addition, proceeds from the previous day's sales, including cash, were often placed in a desk, sometimes locked and secured, until the next day, or whenever a deposit occurred.

The OIG review also revealed that the current automated tracking system used by SPD to inventory surplus property has two inherent inadequacies. Because the system is accessible by anyone in DOAS, any individual with system access can enter or delete surplus property data without any special authority or provisions.

Recommendations

1. Consider establishing written policies and procedures for methods of payment for Internet purchases of surplus property.
2. Consider establishing written policies and procedures regarding bank deposits, specifying that payments requiring deposit into the state's account never remain in the office overnight.
3. Consider reviewing the procedure that allows persons other than the recipient of the sales proceeds to make bank deposits.
4. Consider updating the surplus property's inventory system requiring a password for authorized users.

III. CONCLUSION

The primary concern stemming from our review was SPD's lack of written policies and procedures, and inconsistencies in adhering to a standard of responsible security. Although surplus property is valued differently, the fact remains that these items are still state assets and the security of such items is paramount.

It should be noted that our review did not center on the person(s) responsible for stealing the vehicle from SPD. However, there is a nexus between the vehicle theft and the lack of established policies and procedures that contributed to the theft.

During our review, Director Ekin and his staff exhibited the utmost professionalism, viewing the OIG's involvement as a way to improve operational effectiveness for SPD employees and Georgia as a whole. Our "on-the-spot" suggestions were welcomed and effectively evaluated by SPD and promptly implemented where possible.

OIG requests that the Department of Administrative Services provide a written response regarding implementation of these recommendations within 30 days of the issuance of this report.

IV. REFERRALS

None